

Message Text

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ACTION AF-06

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FM AMEMBASSY ADDIS ABABA

TO SECSTATE WASHDC 6770

INFO AMEMBASSY PARIS

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SUBJECT: FURTHER DEVELOPMENTS ON COMPENSATION FOR NATIONALIZED
BUSINESS ENTERPRISES

REF: ADDIS 12352 (NOTAL)

1. MR. STANLEY PLEASE, COUNTRY DIRECTOR FOR ETHIOPIA, WORLD BANK, ADVISED THE AMBASSADOR THAT THE SOLE PURPOSE OF HIS VISIT TO ETHIOPIA WAS TO EMPHASIZE THE WORLD BANK'S CONCERN ABOUT THE LACK OF FORWARD MOVEMENT ON THE COMPENSATION ISSUE. MR. PLEASE APPARENTLY MADE IT CLEAR TO SENIOR ETHIOPIAN OFFICIALS THAT THE WORLD BANK IS BEGINNING TO FEEL STRONG PRESSURES FROM THOSE COUNTRIES REPRESENTING AFFECTED INTERESTS (FYI: PLEASE TOLD THE AMBASSADOR THAT HE FELT THE US HAD NOT MADE ITS VIEWS KNOWN VERY FORCEFULLY TO THE BANK WHEREAS HE TOLD THE BRITISH CHARGE IN THE PRESENCE OF THE AMBASSADOR THAT THE BRITISH WERE PUSHING TOO HARD).

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2. SENIOR OFFICIALS OF HVA METHERA, THE LARGEST FOREIGN INVESTMENT IN ETHIOPIA (DUTCH), MET WITH CAPTAIN MOGES WOLDE-MICHEL, CHAIRMAN OF THE PMAC ECONOMIC SUB-COMMITTEE, ON OCT 20. (FYI: SO FAR AS EMBASSY IS AWARE, THIS IS THE FIRST INSTANCE WHERE REPRESENTATIVES OF BUSINESS INTERESTS HAVE MET DIRECTLY WITH CAPT MOGES.) HVA OFFICIALS ARRANGED THIS MEETING THROUGH MAJOR KIROS ALEMEHYU, HEAD OF THE ZEMETCHA, WHO IS A PERSONAL FRIEND OF ONE OF THE HVA OFFICIALS. MOGES INFORMED THE HVA OFFICIALS THAT THE DRAFT DECREE HAD BEEN EXPLAINED AND REJECTED AS IT WAS TOO PUNITIVE IN ITS TREATMENT OF FOREIGN INTERESTS. WHILE THE GOVERNMENT WILL NOT PUBLICLY REPUDIATE THE DRAFT, IT WILL INSTEAD SEND RESPONSES THROUGH THE FOREIGN OFFICE TO THE NOTES PREVIOUSLY SUBMITTED BY THE VARIOUS EMBASSIES. THIS SHOULD TAKE PLACE IN 3-4 WEEKS FOLLOWING WHICH NEGOTIATIONS WILL BE CONDUCTED ON A CASE-BY-CASE BASIS WITH REPRESENTATIVES OF NATIONALIZED ENTERPRISES. THROUGHOUT THE MEETING, MOGES WAS COOPERATIVE AND FORTHCOMING IN HIS ATTITUDE. HE MENTIONED THE POSSIBILITY OF INTERNATIONAL ARBITRATION IF NECESSARY, THE NEED FOR PROMPT COMPENSATION, THE HOPE THAT HVA WOULD STAY ON IN SOME CAPACITY (MANAGEMENT CONTRACT, ETC), THE DETERMINATION OF THE GOVERNMENT TO MANAGE NATIONALIZED ENTERPRISES ON A PROFIT-MAKING BASIS AND CONCLUDED BY STRESSING HIS ASSESSIBILITY TO SENIRO HVA MANAGEMENT TO TAKE UP ANY PROBLEMS WHICH COULD NOT BE RESOLVED WITH THE MINISTRY OF NATIONAL RESOURCES DEVELOPMENT.

3. COMMENT.

A. IT APPEARS THAT THE PMAC IS FINALLY BEGINNING TO GRAPPLE WITH THE COMPENSATION QUESTION, NO DOUBT IN LARGE PART DUE TO MR. PLEASE'S REPRESENTATIONS DURING HIS VISIT. HVA OFFICIALS WERE QUITE PLEASED WITH THEIR INTERVIEW WITH CAPTAIN MOGES AND ARE MODERATELY OPTIMISTIC THAT SATISFACTORY ARRANGEMENT FOR COMPENSATION CAN BE ARRANGED IN THE RELATIVELY NEAR FUTURE.

B. IN VIEW OF PLEASE'S COMMENTS TO THE AMBASSADOR THAT IT WOULD BE HELPFUL IF THE US PRESSED SOMEWHAT MORE VIGOROUSLY IN THE WORLD BANK REGARDING COMPENSATION, THE DEPARTMENT MAY WISH TO CONSIDER WHAT STEPS ALONG THIS LINE COULD BE TAKEN.

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ANS MOMENTUM ON THIS ISSUE APPEARS TO BE BUILDING, APPROPRIATE REPRESENTATIONS BY THE USG THROUGH THE WORLD BANK MIGHT STRENGTHEN THE WORLD BANK'S POSITION. THE EMBASSY DOES NOT BELIEVE FURTHER REPRESENTATIONS TO THE EPMG IN ADDIS WOULD BE WORTHWHILE AS THE EMBASSY IS ALREADY CLEARLY ON THE RECORD WITH THE FOREIGN OFFICE AND EMBASSY OFFICERS HAVE REPEATEDLY STRESSED THE US VIEW IN CONVERSATIONS WITH APPROPRIATE EPMG OFFICIALS.

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